GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Pension Fund Fiscal Note 2011 Biennium

Bill #	HB0031	**Title:**	Include dispatchers in sheriffs' retirement system
Primary Sponsor:	Wilmer, Franke	**Status:**	As Introduced

Retirement Systems Affected:

- ☐ Teachers
- ☑ Public Employees
- ☐ Highway Patrol
- ☐ Police
- ☑ Sheriffs
- ☐ Firefighters
- ☐ Volunteer Firefighters
- ☐ Game Wardens
- ☐ Judges

Check the box if "Yes".

- ☑ Has this legislation been reviewed by the legislative interim committee?
- ☑ Has the cost of this legislation been calculated by the system's actuary?
- ☐ Does this legislation include full funding for any benefit revisions?

SRS	July 1, 2008 Current System	July 1, 2008 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	$204,549,000	$217,794,000	$13,245,000
Present Value of Actuarial Assets	$199,453,000	$209,095,000	$9,642,000
Unfunded Actuarial Accrued Liability (UAAL)	$5,096,000	$8,699,000	$3,603,000
Amortization Period (years) of UAAL	16.30	21.90	5.60

PERS	July 1, 2008 Current System	July 1, 2008 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	$4,504,743,000	$4,496,786,000	($7,957,000)
Present Value of Actuarial Assets	$4,065,307,000	$4,059,242,000	($6,065,000)
Unfunded Actuarial Accrued Liability (UAAL)	$439,436,000	$437,544,000	($1,892,000)
Amortization Period (years) of UAAL	24.80	24.80	0.00

SRS	**July 1, 2008**	**July 1, 2009**	**July 1, 2010**	**July 1, 2011**	**July 1, 2012**
Employee Contribution Rate	9.245%	9.245%	9.245%	9.245%	9.245%
Employer Contribution Rate	9.825%	10.115%	10.115%	10.115%	10.115%
State Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL Contribution Rate	19.07%	19.36%	19.36%	19.36%	19.36%

PERS	**July 1, 2008**	**July 1, 2009**	**July 1, 2010**	**July 1, 2011**	**July 1, 2012**
Employee Contribution Rate	6.900%	6.900%	6.900%	6.900%	6.900%
Employer Contribution Rate (State&UN	7.035%	7.170%	7.170%	7.170%	7.170%
Employer Contribution Rate (Local Govt	6.935%	7.070%	7.070%	7.070%	7.070%
State Contribution Rate (Local Govt)	0.100%	0.100%	0.100%	0.100%	0.100%
Employer Contribution Rate (SD)	6.800%	6.800%	6.800%	6.800%	6.800%
State Contribution Rate (SD)	0.235%	0.370%	0.370%	0.370%	0.370%
TOTAL Contribution Rate	13.935%	14.070%	14.070%	14.070%	14.070%

	FY 2010 Difference	**FY 2011 Difference**	**FY 2012 Difference**	**FY 2013 Difference**
Expenditures:				
General Fund	($11,805)	($12,306)	($12,829)	($13,375)
State Special Revenue	$28,019	$29,210	$30,452	$31,746
Universities - Other Funds	$7,757	$8,087	$8,431	$8,789
Revenue:				
General Fund	$0	$0	$0	$0
State Special Revenue	$0	$0	$0	$0
Universities - Other Funds	$0	$0	$0	$0
Pension Trust (PERS)	($933,492)	($973,164)	($1,014,524)	($1,057,641)
Pension Trust (SRS)	$1,316,912	$1,372,881	$1,431,228	$1,492,056
Net Impact-General Fund Balance:	$11,805	$12,306	$12,829	$13,375

Description of fiscal impact:

HB 31 allows public safety communications officers employed on July 1, 2009 to elect to transfer from Public Employees Retirement System (PERS) to Sheriffs' Retirement System (SRS) and requires all new hires as of the same date to become members of SRS. All current dispatchers have 90 days to make the election.

FISCAL ANALYSIS

Assumptions:

1. This is the only statutory amendment being considered. If other provisions are enacted, the actuarial cost impact associated with this amendment may be different.
2. Most dispatchers will be moving from a 30-year to a 20-year system and will pay a higher employee contribution rate in SRS than was paid in PERS.
3. Employers will pay a higher contribution rate in SRS.

4. The State does not contribute to SRS so will have a reduced cost for those that move from PERS to SRS.
5. Public safety communications officers who are in PERS as of July 1, 2009, may elect to become members of SRS by filing an election by October 1, 2009.
6. Each public safety communications officer will have four choices:
   a. elect to remain in PERS,
   b. leave the PERS member account in PERS and commence participation in SRS for future service only,
   c. transfer the PERS member account to SRS and receive proportional service, or
   d. transfer the PERS member account to SRS and purchase the PERS service in SRS at the actuarial cost. If the PERS member account is transferred to SRS, an employer asset transfer will also be made.
7. All future new public safety communications officers will participate in SRS.
8. Using a census of public safety communication officers collected as of December 2008 which included 459 member records and salary history data, Milliman estimated allowable employer asset transfers where applicable and compared this data to the June 30, 2008 actuarial valuation data for PERS. For each matching record, Milliman ran four valuations corresponding to the four choices available to each member eligible for transfer to PERS. It was expected that each member would choose the option providing the best economic outcome for the member. The PERS and SRS valuation results were then adjusted to reflect the expected asset and liability transfers from PERS to SRS, plus expected out-of-pocket payments to SRS for service purchases, and for future new SRS public safety communications officers replacing retiring public safety communications officers electing to remain in PERS.
9. No adjustments were made for actuarial gains or losses that may have emerged since the last valuation date, June 30, 2008, except as noted in the technical notes.
10. The 2008 salary for dispatchers is estimated to be $11,979,505 ($10,861,711 Local Government; $875,429 State Government; and $242,365 Universities).
11. The actuary expects salaries to increase at 4.25% per year.
12. The dispatchers were broken out by employer type and the contributions were calculated based on employer type (source of funds) and on the associated contribution rates.
13. The revenues and expenditures are based on the total population moving since the retirement system is unable to determine who specifically will move. However, the actuary believes that each member would choose the best economic outcome for the individual.
14. The state general fund would save $11,805 in FY 2010 by not paying the additional contributions for local governments in PERS. [$11,804,575 (projected salaries for local government) * 0.10%]
15. The highway state special revenue fund would have to pay $28,019 in FY 2010 to SRS as employer contributions for the employees of the Department of Justice. [$951,421 (projected salaries) * 2.945% (the increase in the employer contribution rate between PERS and SRS)]
16. The employer contributions would increase $7,757 for the universities in FY 2010. [$263,403 (projected salaries) * 2.945% (the increase in the employer contribution rate between PERS and SRS)].
17. Expenditures by the local governments are the difference between what they would have paid in PERS and what would be paid in SRS. For FY 2010, the increase would be $359,449. [$11,804,576 (projected salaries for local governments) * 3.045% (the increase in the local government employer contribution rate between PERS and SRS)].
18. SRS Revenues - The total contributions to be received by SRS due to this bill for FY 2010 would be $1,316,912. The increase represents the sum of:
    - $1,194,033 = $11,804,576 (projected salaries for local governments) *10.115%;
    - $96,236 = $951,421 (projected salaries for the State) * 10.115%;
    - $26,643 = $263,403 (projected salaries for the universities) * 10.115%.

19. PERS Revenues - The total contributions to be lost by PERS due to this bill for FY010 would be ($933,492). The increase represents the sum of:
    - $846,388 = $11,804,576 (projected salaries for local governments) *7.07% + $11,804,576 (projected salaries for local governments) * 0.1%;
    - $68,217 = $951,421 (projected salaries for the State) * 7.17%;
    - $18,886 = $263,403 (projected salaries for the universities) * 7.17%.

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Fiscal Impact:				
Expenditures:				
Pers. Serv. (Eemployer Benefits)	$23,971	$24,991	$26,054	$27,160
TOTAL Expenditures	$23,971	$24,991	$26,054	$27,160
Funding of Expenditures:				
General Fund (01)	(11,805)	(12,306)	(12,829)	(13,375)
State Special Revenue (02)	$28,019	$29,210	$30,452	$31,746
Other - Universities	$7,757	$8,087	$8,431	$8,789
TOTAL Funding of Exp.	$23,971	$24,991	$26,054	$27,160
Revenues:				
General Fund (01)	$0	$0	$0	$0
State Special Revenue (02)	$0	$0	$0	$0
Other - SRS Trust	$1,316,912	$1,372,881	$1,431,228	$1,492,056
Other - PERS Trust	(933,492)	(973,164)	(1,014,524)	(1,057,641)
TOTAL Revenues	$383,420	$399,717	$416,704	$434,415
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	$11,805	$12,306	$12,829	$13,375
State Special Revenue (02)	(28,019)	(29,210)	(30,452)	(31,746)
Federal Special Revenue (03)	$0	$0	$0	$0

Effect on Local Governments:

1. Local governments will fund the increased employer contribution. For local governments that employ dispatchers that transfer to SRS, the employer rate would increase by 3.045% (10.115% - 7.07% = 3.045%).

	FY 2010	FY 2011	FY 2012	FY 2013
SRS	1,194,033	1,244,779	1,297,683	1,352,834
PERS	(846,388)	(882,359)	(919,860)	(958,954)
Total Incr.	**347,645**	**362,420**	**377,823**	**393,880**

Long-Term Impacts:

1. Dispatchers would have an increased retirement benefit from SRS and could retire in 20 years rather then 30 years.
2. Eventually all dispatchers would come under SRS.

Technical Notes:

1. This legislative proposal does not include a provision for financing the entire cost of the proposal.
2. MPERA's actuary, Milliman, has noted that extreme care should be taken when considering any benefit improvement due to recent losses in the fair market value of assets.

SRS

3. Normal cost to SRS increases by 0.07% by including dispatchers.
4. There would be a decrease of 0.3% in the statutory funding rate surplus.
5. Amortization periods reflect the additional contributions of 0.29% of payroll effective July 1, 2007 and 0.58% effective July 1, 2009.
6. Based on the June 30, 2008 market value of assets, the amortization period would be 48.7 years instead of 21.9 years, with changes.
7. If the assets were adjusted at June 30, 2008 to reflect the market losses through October 31, 2008, the amortization period would be 47.2 years on an actuarial value of assets basis with changes, and the UAL would not get paid off on a market value of assets basis

PERS

8. Normal cost to PERS increases by 0.01%.
9. Amortization periods reflect the additional contributions of 0.135% of payroll effective July 1, 2007 and 0.27% effective July 1, 2009.
10. Based on the June 30, 2008 market value of assets, the amortization period would be 50.2 years instead of 24.8 years, with changes.
11. If the assets were adjusted at June 30, 2008 to reflect the market losses through October 31, 2008, the amortization period would be 49.4 years on an actuarial value of assets basis with changes, and the UAL would not get paid off on a market value of assets basis.

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*